

# Understanding Your Taxes



★ NEWSLETTER FROM THE CITY OF CAMBRIDGE ★ EXECUTIVE DEPARTMENT ★

## Dear Residents and Taxpayers of Cambridge:

I am again writing to update you about the City's budget, property assessments and tax bills.

In May, the City Council adopted an FY09 Budget which 1) maintains the City's commitment to a high level of services and provides for a strong capital plan; 2) supports City Council Goals, especially around public safety, by funding additional police and support personnel and implementing a new Transitional Jobs Program, which evolved out of the efforts of the Neighborhood Safety Task Force; 3) provides funding to support programmatic and operational costs for the new facilities noted below; and 4) achieves the above with a moderate increase in the property tax levy, supporting the City Council Goal of "evaluating City expenditures with a view of maintaining a strong fiscal position and awareness of the impact on taxpayers." As a result, the FY09 Budget has increased by 5%.

During FY09, the City will see the opening of the West Cambridge Youth and Community Center, Public Safety Facility and the War Memorial Facility. These facilities, plus the Main Library Expansion Project, which is scheduled to be completed by the end of calendar 2009, will serve the residents of the City for decades to come. In addition, major renovations to Cambridge Rindge and Latin High School will begin in the summer of 2009.

These accomplishments are significant, given the fiscal challenges facing many cities and towns in the Commonwealth and reflect our long-range planning efforts.

Approximately 60% of the revenues that fund the City's budget are raised through property taxes. Massachusetts communities are limited in how they can raise revenues, resulting in a greater reliance on the property tax, since it is the largest and most stable revenue. The City of Cambridge has been able to achieve a lower property tax rate and lower residential property tax bill than surrounding communities due to its ability to generate non-property tax revenues, new construction, controlled budget growth and the prudent use of reserves.

During the past three fiscal years, we produced budgets which resulted in an average property tax levy increase of 2.8%. In FY08, 92.5% of the residential taxpayers received a property tax bill that was lower, the same as, or only slightly higher (less than a \$100) than the previous year.

I anticipate that the majority of the property tax levy increase will be borne by commercial property owners, based on the continued increase in commercial property values and the moderation in residential property values. The exact distribution will not be known until early October when the City Council votes on the City Manager's FY09 property tax and classification recommendations.

I encourage you to examine this publication, and to seek out City staff from the departments listed on the back cover with any questions or comments.

Very truly yours,

ROBERT W. HEALY, CITY MANAGER

### Cambridge Residential Tax Rate Continues to be the Lowest Among Surrounding Communities and One of the Lowest of Any City in the Commonwealth!

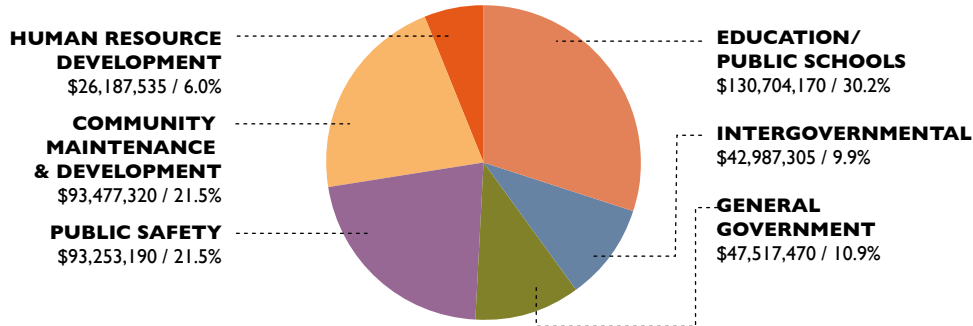
	FY08 TAX RATE (PER \$1,000)	TAX BILL \$400,000 HOME	TAX BILL \$800,000 HOME
<b>CAMBRIDGE*</b>	<b>\$ 7.36</b>	<b>\$1,456</b>	<b>\$4,400</b>
BROOKLINE*	\$ 10.18	\$ 2,463	\$ 6,535
SOMERVILLE*	\$ 10.95	\$ 2,750	\$ 7,130
BOSTON*	\$ 10.97	\$ 2,899	\$ 7,287
WATERTOWN*	\$ 11.39	\$ 3,493	\$ 8,049
BELMONT	\$ 11.27	\$ 4,508	\$ 9,016
ARLINGTON	\$ 11.45	\$ 4,580	\$ 9,160

\* Includes residential exemption for owner occupied homes. The residential exemption has not been adopted by all communities.

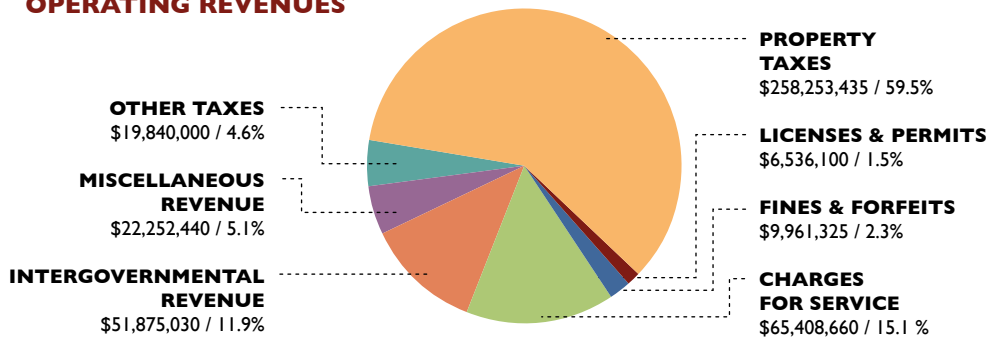
# City of Cambridge FY2009 Budget

**TOTAL OPERATING BUDGET: \$434,126,990**

## OPERATING EXPENDITURES



## OPERATING REVENUES

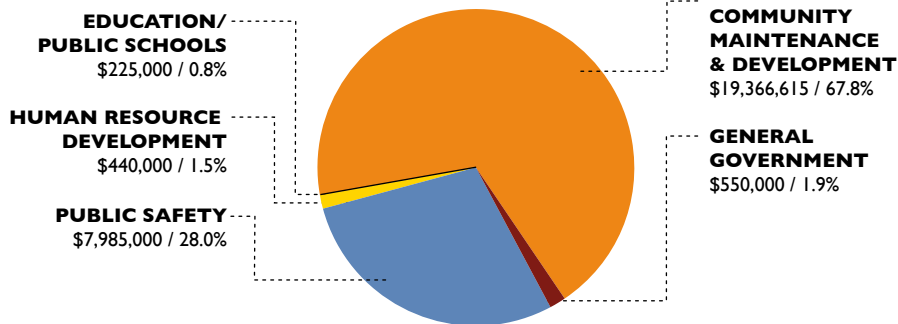


## DEPARTMENTS BY FUNCTIONAL GROUPS

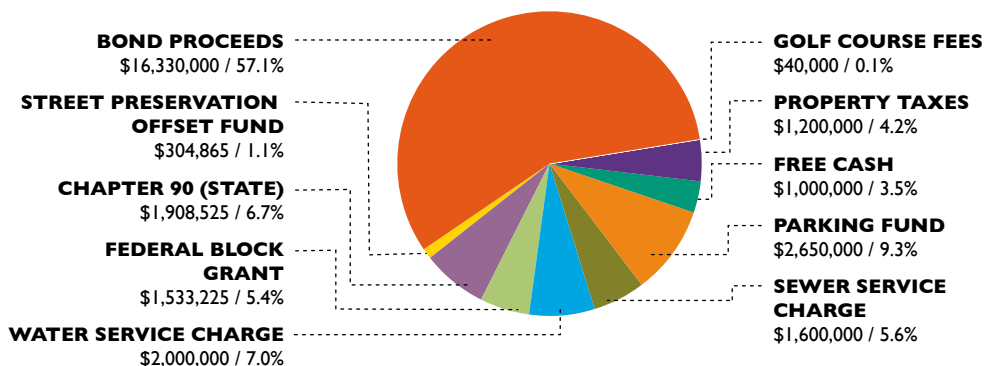
<b>General Government</b> (\$47,517,470)	<b>Public Safety</b> (\$93,253,190)
Mayor	Animal Commission
Executive	Fire
City Council	Police
City Clerk	Traffic, Parking & Transportation
Law	Police Review & Advisory Board
Finance	Inspectional Services
Employee Benefits	License
General Services	Weights & Measures
Election	Electrical
Public Celebrations	Emergency Management
Reserve	Emergency Communications
<b>Community Maintenance and Development</b> (\$93,477,320)	<b>Human Resource Development</b> (\$26,187,535)
Public Works	Library
Water	Women's Commission
Community Development	Veterans' Services
Historical	Human Services
Conservation	Human Rights Commission
Peace Commission	
Cable T.V.	<b>Intergovernmental</b> (\$42,987,305)
Debt Service	MWRA
	Cambridge Health Alliance
	State Assessments

**TOTAL CAPITAL BUDGET: \$28,566,615**

## CAPITAL EXPENDITURES



## CAPITAL REVENUES



## FY09 CAPITAL PROJECTS LIST

- Acquisition of Personal Computers/ Technology Upgrades
- Fire Vehicles/Equipment and Fire Station Renovations
- Replacement of Street Lights/Poles
- Public Safety Communication/Technology Upgrades
- Street/Sidewalk Reconstruction
- Accessibility Improvements
- Park and Cemetery Tree Pruning
- Parking and Roadway Improvements/Traffic Calming
- Water System Improvements
- Sewer Reconstruction
- Housing Rehab & Development
- Employment Program Fund
- Neighborhood Business Development/ Façade Improvement
- Public Art Conservation Fund
- Parks and Recreation
- School Equipment/Building Improvements
- Public Building Improvements

# How Your Tax Bill is Determined

## Basic facts about the real estate tax levy

Three major factors are responsible for calculating a tax bill:

- ★ THE CITY BUDGET
- ★ COMMERCIAL-RESIDENTIAL PROPERTY TAX CLASSIFICATION
- ★ PROPERTY VALUES (ASSESSMENT)

**CITY BUDGET.** The adopted FY09 Budget of \$434.1 million is 5% greater than the FY08 adjusted budget. While the City has many sources of revenue, property taxes support about 60% of the operating budget. For FY09, the City projects that it must collect about \$256.1 million in property taxes. This is called the tax levy. Last year, the City Council and City administration produced an FY08 Budget with a 4.55% property tax levy increase. However, this meant that 92.5% of the residential taxpayers received a property tax bill that was lower, the same as, or only slightly higher (less than \$100) than the previous year. This modest increase was preceded by a 3.96% increase in the property tax levy in FY07 and a 0% increase in FY06. The City Council and City administration worked hard during the budget process to produce an FY09 Budget with a modest increase. As a result, the property tax levy is projected to increase between 5 - 5.5%.

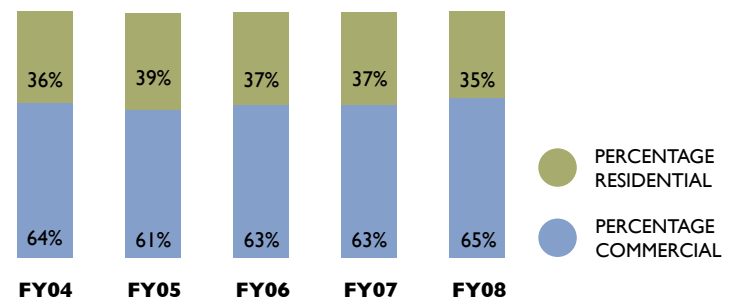
CAMBRIDGE OPERATING BUDGET (in millions)			CAMBRIDGE TAX LEVY (in millions)		
FY 07	FY 08	FY 09	FY 07	FY 08	FY 09
\$395.5M	\$412.3M	\$434.1M	\$231.8M	\$242.3M	\$256.1M (projected)

## COMMERCIAL-RESIDENTIAL PROPERTY TAX

**CLASSIFICATION.** Municipalities are allowed to tax commercial property (i.e. office, industrial and retail buildings, hotels and personal property) at a higher tax rate than residential property. This process is known as property tax classification. The State property tax classification law is complex, as are the formulas that determine how much the City may collect in property taxes from residential and commercial property owners. The State limits how much higher the commercial tax rate may be set above the residential tax rate. Neither the City Council nor the City administration is allowed to increase the proportion of the tax levy paid by commercial owners versus the proportion paid by residential owners of real estate above the current limit under the permanent law. The property tax classification process has meant that commercial property owners traditionally have paid approximately two-thirds of the total property taxes.

In FY04, the City of Cambridge reached the maximum shift of the tax levy from residential owners to commercial owners allowed by the State. Escalating residential values, which outpaced commercial property values, were the primary reason that Cambridge reached the permanent, state imposed limit on its ability to shift the tax burden from residential taxpayers to commercial taxpayers. As a result, not as much of the property tax levy may be shifted to commercial owners.

## PERCENTAGE OF PROPERTY TAX LEVY PAID BY RESIDENTIAL & COMMERCIAL PROPERTY OWNERS



In FY05, the trend of slowing values of commercial real estate, coupled with rising values of residences, required Cambridge to further shift the relative burdens of commercial and residential property owners. This trend was reversed in FY06 when the commercial property owners as a group were required to pay 63.2% of the property tax levy, (up from 61.3% in FY05) with the share paid by residential owners going down from 38.7% to 36.8%. This trend continued in FY07 when the commercial property owners as a group were required to pay 63.4% of the property tax levy with the share paid by residential owners going down to 36.6%. In FY08, the percentage of the property tax levy paid by residential owners decreased to 35.2% with the share paid by commercial property owners increasing to 64.8%, which continued the trend from the previous two fiscal years.

Preliminary projections for FY09 indicate that the portion of the tax levy to be paid by commercial property owners will increase above the FY08 level.

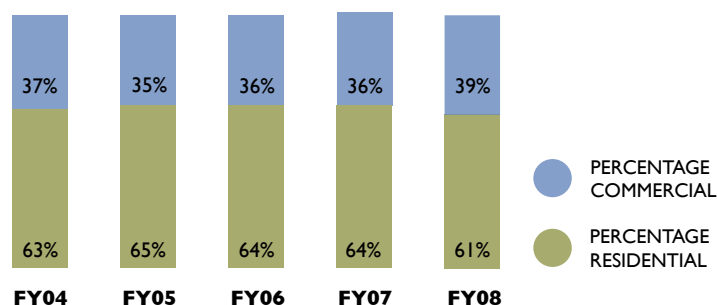
The Cambridge residential market has shown a 39% increase in condominium units during the seven-year period between FY03 and FY09, from 9,001 units in FY03 to 12,515 units in FY09. The robust housing market has also resulted in commercial property being converted to residential use, which has further eroded the commercial base while increasing the residential base. The national trend of residential property values growing at a higher rate than

**City Council Goal: Evaluate City expenditures with a view of maintaining a strong fiscal position and awareness of the impact on taxpayers.**

commercial values has leveled and now has reversed direction. However, Cambridge remains a highly attractive, desirable place to live, with low crime, a highly educated workforce and desirable cultural and business amenities, which support the property values.

The chart below shows the percent of total value of residential and commercial property. In FY08, residential property comprised 61.3% of total value, but residential owners paid only 35.2% of total taxes.

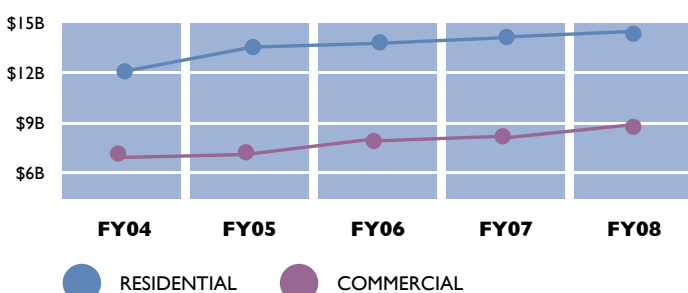
#### PERCENTAGE RESIDENTIAL & COMMERCIAL PROPERTY VALUES



**PROPERTY VALUES.** Property values are established independent of the above two factors. The Massachusetts Department of Revenue requires that all property be assessed annually, using approved mass appraisal techniques, at 100% of full and fair cash value. Individual assessments may rise or fall based upon market activities for similar properties and capital improvements. Fiscal year assessments are the property values as of the previous January 1st. The FY09 property tax bills are based on the assessed value as of January 1, 2008, using calendar 2007 market activity. The tax rate is established by dividing the tax levy by total property value. Your property tax bill is calculated by multiplying your property's value by the tax rate.

The chart below illustrates that residential values had been growing at a faster rate than commercial values, but this trend has leveled off. During the past five years, the total residential value has increased by 19% as compared to a 29% increase for commercial property value.

#### FIVE-YEAR COMPARISON OF RESIDENTIAL AND COMMERCIAL TOTAL VALUES



## INDEPENDENT ASSESSMENTS OF CAMBRIDGE'S FINANCIAL HEALTH

### What do the Rating Agencies say?

Wall Street's three major rating services, Fitch, Moody's, and Standard & Poor's, reaffirmed Cambridge's AAA rating, the highest possible. Cambridge is one of only 20 cities in the United States with three AAA ratings. The critical factor examined by rating services is whether a city has a prudent balance between incoming revenues and outgoing expenditures. Many communities pay significantly higher interest rates than Cambridge when borrowing money for capital improvement projects.

**"Cambridge continues to maintain a very healthy financial position given a prudent fiscal strategy implemented by a strong management team, adoption of prudent fiscal policies in its fiscal 2008 budget, steady revenue streams generated by its substantial and economically vibrant tax base and a notable degree of flexibility to address future budgetary challenges."**

— Moody's Investors Service, February 2008

**As part of its rating report issued in February 2008, Standard and Poor's revised its Financial Management Assessment (FMA) of the City from "good" to "strong." An FMA of "strong" indicates that practices are strong, well embedded and likely sustainable.**

**"Cambridge's well-diversified economy is characterized by favorable labor market conditions that continue to outperform those of the county, commonwealth, and nation. Exceptional financial management and planning are demonstrated by the city's strong financial position, characterized by ample reserve and liquidity levels."**

— Fitch Ratings, February 2008

### Other Measures of Success...

- ★ The Citizens' Housing and Planning Association presented Cambridge with its 2007 Municipal Leadership Award for Affordable Housing Initiatives.
- ★ The City was named a 2007 Climate Champion by Clean Air-Cool Planet, the region's leading organization dedicated to finding and promoting solutions to global warming.
- ★ The City received the Mass. Municipal Association Innovation Award for its partnership to reduce Greenhouse Gas emissions through creation of the Cambridge Energy Alliance.
- ★ *Prevention Magazine* named Cambridge the Best Walking City in America. *Popular Science Magazine* ranked Cambridge the sixth greenest city in the U.S.
- ★ The City received an E-Government Award from Common Cause Massachusetts, for its commitment to open government by posting key government records on its website.
- ★ Cambridge was recognized for the third time by America's Promise - The Alliance for Youth as one of the 100 Best Communities for Young People.
- ★ Cambridge is one of only four municipalities in Massachusetts awarded the Certificate of Achievement for Excellence in Financial Reporting and Distinguished Budget Presentation by the Government Finance Officers Association.



# Motor Vehicle Excise

All Massachusetts residents who own and operate a motor vehicle must pay an annual motor vehicle excise. The excise is levied by the city or town in which the vehicle is principally garaged. Motor excise bills are created from vehicle registration data collected by the Registry of Motor Vehicles (RMV). The RMV sends billing information to the city or town, which is then responsible for mailing the bills and collecting the tax.

**WHEN ARE MOTOR EXCISE BILLS SENT?** Most people receive their excise bill in February. However, if you buy a car or move into the state during the year, you will receive your first excise tax bill a few months after the car is registered. This bill will be pro-rated for the portion of the year that you own and operate that vehicle in the State of Massachusetts. Thereafter, you will receive your bill in February.

**HOW IS MY EXCISE BILL CALCULATED?** Each motor vehicle is levied a tax at the rate of \$25 per one thousand dollars of valuation. The value of the vehicle is determined by the State using a formula that considers the manufacturer's list price for vehicles in their year of manufacture and the age of the vehicle. The State formula is as follows:

In the year preceding the designated year of manufacture:	50%
In the designated year of manufacture:	90%
In the second year:	60%
In the third year:	40%
In the fourth year:	25%
In the fifth and succeeding years:	10%

**IF I MOVE, WHOM DO I CONTACT TO GIVE CHANGE OF ADDRESS INFORMATION?** You must inform the Registry of Motor Vehicles of any change in address. Prompt notification of address changes will help ensure that you receive your bill. It is important to note that where you live on Jan 1 of each year dictates where the bill will be sent. If you move after that date, you must contact the community in which you resided on Jan. 1 to make sure that you get that year's bill.

**WHOM DO I CONTACT IF I DO NOT RECEIVE A BILL?** Contact the City's Finance Department at 617 349 4220. According to Chapter 60A, Section 2 of Massachusetts General Laws, a person who does not receive a bill is still liable for the excise plus any interest charges and penalties that accrue. Therefore, it is the responsibility of the owner to contact the City in the event that a bill is not received or forwarded from a former address.

**WHAT ARE THE PENALTIES FOR LATE PAYMENT OR FOR NOT PAYING MY EXCISE BILL?** If excise is not paid within 30 days, interest will accrue on the overdue bill at an annual rate of 12% from the day after the due date. Additional fees of up to \$64 may be added to an unpaid excise bill. If the bill is not paid within a year of issue, the City will notify the Registry of Motor Vehicles and the owner will be unable to renew the car's registration and/or renew a driver's license until the bill has been paid.

## DID YOU KNOW?

TOP TEN CITY REAL ESTATE TAXPAYERS (FISCAL 2008)	NATURE OF BUSINESS	ASSESSED VALUATION	AMOUNT OF TAXES	% OF TOTAL TAX LEVY
Mass. Institute of Technology	Education	\$1,570,107,800	\$25,399,853	10.48%
BioMed Realty Trust	Commercial	720,854,800	12,346,800	5.09
Boston Properties	Commercial	594,228,900	10,244,506	4.23
Equity Partners	Commercial	285,593,900	4,560,178	1.88
Presidents & Fellows of Harvard College	Education	371,106,600	4,532,821	1.87
New England Development	Commercial	220,000,000	3,792,800	1.57
Novartis Pharmaceuticals	Commercial	204,571,600	3,526,814	1.46
PREEF American Reit II Corp.	Commercial	199,921,100	3,446,640	1.42
Alexandria Real Estate	Commercial	193,479,300	3,335,583	1.38
RB Kendall Fee LLC	Commercial	194,428,600	3,330,222	1.37
		\$4,554,292,600	\$74,516,217	30.75%

# What If I Have a Tax Related Question or Want More Information?

## Ask The Treasurer

E-MAIL: [treasurer@cambridgema.gov](mailto:treasurer@cambridgema.gov)

## SEND MAIL TO:

The City Treasurer  
Cambridge City Hall  
795 Massachusetts Avenue  
Cambridge, MA 02139

VISIT THE CITY'S WEBSITE: [www.cambridgema.gov](http://www.cambridgema.gov)

Sign up for Cambridge E-Line to receive periodic electronic newsletters, alerts and City publications.

## CONTACT A DEPARTMENT:

Assessing Department for Property Value Info. 617 349 4343

Budget Office for Expenditure/Revenue Info. 617 349 4270

Finance Department for Tax Bill Info. 617 349 4220

City Manager's Office for General Info. 617 349 4300

## Important Dates & Publications

### OCTOBER 2008

- City Council sets residential and commercial tax rates
- FY09 Tax Bills Mailed
- FY09 Tax Newsletter Mailed  
(Including information on Abatements and Exemptions)

### NOVEMBER 2008

- Community Q&A meetings scheduled at various locations
- Exemptions Newsletter Mailed

[www.cambridgema.gov](http://www.cambridgema.gov)

★ NEWSLETTER #1 ★

A Publication of the Office of the City Manager  
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